

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)

STAFF REPORT - 2018 Investment Policy

ISSUE:

IBank's Investment Policy requires the Board to review the policy on an annual basis. IBank's current investment policy was initially adopted by the Board in 2006 ("Investment Policy"), and reviewed, and in some cases amended from time to time, on an annual basis. The Investment Policy was last reviewed and approved by the Board on September 26, 2017 (2017 Investment Policy). Staff is recommending policy amendments to the existing policy (see Attachment 1 - IBank 2018 Investment Policy) submitted to the Board for its review and approval.

BACKGROUND:

It is considered a standard of "best investment practices"¹ for government agencies to have a written investment policy, to review it annually, and to have frequent reporting of investment activities. IBank is in compliance with the 2017 Investment Policy with respect to the ISRF Bond investments with U.S. Bank (in accordance with the Indenture) and the Small Business Finance Center investments with Fiduciary Trust International.

Although the 2006 Investment Policy required an annual review, no review was conducted by the Board in March 2009, principally due to staff undertaking a thorough and significant internal review of the 2006 Investment Policy. On April 27, 2010, the IBank Board approved significant amendments to the policy and adopted the 2010 Investment Policy. The 2010 Investment Policy was reviewed and approved with no changes by the Board on March 29, 2011. It was reviewed again on March 27, 2012, approved by the Board with minor clarifying revisions, and reviewed on May 21, 2013 with minor amendments for clarity to its provisions. On February 24, 2015, the IBank Board approved several amendments to the then current Investment Policy. These amendments adjusted concentration limits in securities. On October 25, 2016, the Board approved a non-substantive change in Section 5.0, Delegation of Authority, which was updated to reflect a title change to Chief Deputy Executive Director from Deputy Executive Director. The 2017 Investment Policy reflected no changes and was reviewed and approved by the Board with new approval date of September 26, 2017.

Expert Assistance Received for the 2018 Investment Policy Review

Lamont Financial Services Corporation, a national ranked independent financial advisor under contract with IBank, assisted staff in a thorough review of the updated 2018 Investment Policy and provided technical advice on the proposed amendments.

¹ Source: California Debt and Investment Advisory Commission California Public Fund Investment Primer.

PROPOSED AMENDMENTS:

IBank Staff has conducted a thorough review of the 2017 Investment Policy and is proposing several amendments. The following is a brief description of the proposed amendments made to the 2017 Investment Policy:

Section 2.1 - Scope

Amendments are proposed to define “California Infrastructure and Economic Development Bank” as “IBank” and to include “any and all programs of IBank” and “or program” to clarify this section.

Section 5.0 - Delegation of Authority

Amendments are proposed to include Government Code Sections 16430, 63023, 63025.1, 63052(d)(h), 63062, and 63089.4 and .52(a)(b), which will clarify this section and in the seventh paragraph added “money held by IBank...”

Section 7.0 - Ethics and Conflicts of Interest

Amendments are proposed to modify the first sentence of the paragraph, “The Executive Director, the members...” with more succinct language.

Section 8.0 - Authorized Financial Institutions, Depositories and Broker/Dealers

Amendments are proposed to clarify the purchase of securities “as identified in the Investment Policy” and qualified depositories by referencing Government Code Sections 63052(d) and 63062(a) and a revision of the last paragraph of the section to clarify proceeds of IBank direct bonds, in a manner consistent with Government Code Section 63081.

Section 10.0 - Authorized Investments and Deposits-IBank Investment Funds in the State Treasury

Amendments are proposed are to change (CIEDB) to IBank Fund, clarify investments shall be limited by including Government Code Section 16430 et seq to provide specificity to the section. Content was deleted from Exhibit A and placed in Section 10.1, add “immediately above” to the second bullet point, remove “trust” from Guarantee {Trust} Fund and add “same” and “set forth in the first bullet point of Section 10.1 of this Investment Policy” to the paragraph.

Section 11.0 - Authorized Investments and Deposits

Amendments are proposed to clarify this section by including Government Code Sections 63081(c) and (d) and change “are silent” and replace with “provide no guidance” and replace “CIEDB Fund...” with “consistent with the investment...” in the second bullet point.

Section 13.0 - Maximum Maturities

Amendments are proposed to clarify “by the Act (in particular...), by referencing Government Code Section 63081” in this section.

Section 16.0 - Reporting

Amendments are proposed to clarify the third paragraph by removing “IBank Other Bonds Directed”, and replacing it with “other bonds investments directed by IBank.”

Exhibit A: - Permitted Investments

Amendments are proposed to move language that was in statute {Government Code} to Section 10.1 and delete content that references “Bonds or Interest Bearing Notes.” Add “Text of” to the title and remove “Permitted Investments” for the title of Exhibit A. Content which references “Eligible Securities...” remains in this section.

Footnote 3-Investment Policy

Amendments proposed are to clarify the footnote by renaming Footnote 1 (removed from Exhibit A), changing it to Footnote 3, moving it to the Investment Policy and updating the sentence by removing “Other Bonds Directed Investments” and replacing it with “other bonds investments directed by IBank.”

Footnote 4-Investment Policy

Amendments proposed are to clarify the footnote by renaming Footnote 3 and changing it to Footnote 4, removing “IBank Other Bonds Directed Investments” and replacing it with “other bonds investments directed by IBank.”

RECOMMENDATION:

Staff recommends that the Board review and approve the 2018 Investment Policy, as amended.